

ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
	1. Log No: CCDF-ACF-IM-2021-04	2. Issuance Date: 07-30-2021
	3. Originating Office: Office of Child Care	
	4. Key Words: Child Care and Development Fund (CCDF), Coronavirus, American Rescue Plan (ARP) Act.	

INFORMATION MEMORANDUM
ARP Act Increased Mandatory and Matching Funds

To: State, territory, and tribal lead agencies administering the Child Care and Development Fund (CCDF) program, as amended, and other interested parties.

Subject: Increased Child Care and Development Fund (CCDF) Mandatory and Matching funds appropriated in the American Rescue Plan (ARP) Act of 2021 (Pub. L. 117-2) signed into law on March 11, 2021.

References: Section 418 of the Social Security Act (42 U.S.C. 618); the Child Care and Development Block Grant (CCDBG) Act (42 U.S.C. 9857 *et seq.*); 45 CFR Parts 98 and 99; ARP Act (Public Law 117-2); Families First Coronavirus Response Act (Families First; Public Law 116-127); Consolidated Appropriations Act, 2021, (Pub. L. 116-260).

Purpose: To provide an overview and guidance on the additional CCDF mandatory and matching funds made available through the ARP Act.

Background: The ARP Act appropriated funding for child care through three funding streams. These include:

- Section 2201. \$14,990,000,000 for Child Care and Development Fund (CCDF) supplemental discretionary Funds, available until September 30, 2024.
- Section 2202. \$23,975,000,000 for child care stabilization grants, available until September 30, 2023.
- Section 9801. \$3,550,000,000 in mandatory and matching funding for CCDF, a permanent annual appropriation.

Each funding stream has unique requirements. Therefore, the Office of Child Care (OCC) has issued three separate guidance Information

Memoranda (IM). The information in each IM is only applicable to the funding stream discussed in the IM, unless otherwise noted.¹

Guidance:

Section 9801 of the ARP Act increased the annual appropriation for CCDF mandatory and matching funds awarded to lead agencies in Section 418 of the Social Security Act. This IM is intended to be a reference for lead agencies to incorporate the additional grant year² (GY) 2021 funds into their regular CCDF program funds. In addition to increasing the amount of CCDF mandatory and matching funds available for states and tribes, section 9801 of the ARP Act made these funds available to territories for the first time and also waived the matching requirement on the increased portion of additional funds that the ARP Act awarded to states in both GY 2021 and GY 2022. The guidance included in this IM only applies to Section 9801 of the ARP Act and does not extend to the other child care funding streams included in the Act.

Overview

Section 9801 of the ARP Act increased the CCDF mandatory and matching appropriation to \$3.55 billion. This funding increases the CCDF mandatory and matching appropriations level by \$633 million, the first increase in CCDF mandatory and matching appropriations since 2006. This funding increase will be applied to the GY 2021 annual funding and, because it is a statutory amendment to the Social Security Act and not subject to annual appropriations, this increase is permanent and will be maintained in future years. The amended Social Security Act appropriates:

- \$3.375 billion to states,³
- \$75 million to territories, and
- \$100 million to tribes.

Child care is essential to supporting children, families, businesses and the economy as a whole. This permanent increase in CCDF mandatory and matching funds, in combination with substantial infusions of other CCDF funds, supports lead agencies in building stronger child care systems. Lead agencies are strongly encouraged to use these funds as part of a cohesive vision to implement policies that will better support the developmental and learning needs of children, meet parent's needs and preferences with equal access to high-quality child care, and support a

¹ In addition to this Information Memorandum on mandatory and matching funds, the other two Information Memoranda on ARP Act funding are: [CCDF-ACF-IM-2021-02](#) on child care stabilization grants and [CCDF-ACF-IM-2021-03](#) on CCDF supplemental discretionary funds.

² Fiscal Year refers to the period from October 1 through September 30, during which lead agencies may spend funds awarded in the current and prior years. Grant Year refers to the year the funds were awarded, although states and territories may liquidate some CCDF funding streams in later fiscal years.

³ States received slightly less than this amount because of the technical assistance and research set asides.

professionalized workforce that is fairly and appropriately compensated for the essential skilled work that they do.

These CCDF mandatory appropriations represent a two-fold increase in the amount of total CCDF program funds awarded to territories and nearly a doubling of CCDF mandatory funds for tribes. This influx of CCDF program funding brings greater equity to jurisdictions and service areas that serve smaller populations of children and families. While these funds come when the child care market is struggling to right itself after the pandemic, these increases in CCDF mandatory funds to territories and tribes are permanent. Territory and tribal CCDF lead agencies will be able to plan long-term strategies for lasting supports for children, families, and providers.

States: Section 9801 of the ARP Act appropriated \$3.375 billion in CCDF mandatory and matching funds to states. Because the state CCDF mandatory fund amount remains fixed in law, the \$512,250,000 increase in funds appropriated to states by the ARP Act are awarded as CCDF matching funds⁴. CCDF matching funds, including those appropriated in section 9801 in the ARP Act, are allocated to states, including the District of Columbia, based on the number of children under age 13 in the state compared with the national total of children under age 13 (45 CFR 98.63(a)).

CCDF matching funds are available to states if the following three conditions are met by the end of the fiscal year in which the funds are awarded: (1) all CCDF mandatory funds are obligated; (2) the state's Maintenance-of-Effort funds are expended; and (3) the state provides its share of CCDF matching funds at the Federal Medical Assistance Percentage (FMAP) rate (45 CFR 98.55(c)). However, states are not required to match the additional funds awarded in section 9801 of the ARP Act in GY 2021 or GY 2022. In other words, the \$512,250,000 of increased CCDF matching funds available in GY 2021 and GY 2022 do not require a state match. Otherwise, the requirements for state CCDF matching funds remain the same and are subject to the current quarterly FMAP rate.

The Families First Coronavirus Response Act (Pub. L. 116-127) added a temporary FMAP increase of 6.2 percentage points beginning January 1, 2020, and continuing through the Coronavirus Disease 2019 (COVID-19) public health emergency period. This enhanced FMAP rate has the effect of decreasing the amount that states will be required to spend to claim their full CCDF federal match allotment. ACF will continue to post the

⁴ The states' share of the ARP increase was determined after reserving funds for technical assistance and research and evaluation.

current FMAP rate and the state share of CCDF matching funds on the OCC website (<http://www.acf.hhs.gov/occ>).

Territories: For the first time, section 9801 of the ARP Act established permanent CCDF mandatory funding to territories beginning with GY 2021, including Puerto Rico, Guam, American Samoa, the Virgin Islands of the United States, and the Commonwealth of the Northern Mariana Islands. The new CCDF mandatory funds for territories are allotted based on the number of children under age 5 living in territories and per capita income in the territories. Territory CCDF mandatory funds are not subject to any matching requirements. Territory CCDF mandatory funds must be obligated in the GY that they are awarded and liquidated in the following year.

The ARP Act also established that any unobligated portion of a territory's CCDF mandatory funds for a given GY will be redistributed to the following GY to the territories that request to receive additional redistributed funds. Territories may request to receive the redistributed funds on the ACF-696 Financial Reporting Form for the quarter ending September 30 report. Redistributed funds will be allocated to territories in the same proportion as the regular mandatory funds were received. OCC will release additional guidance on financial reporting.

Tribes: Prior to the ARP Act, tribal lead agencies received a proportion of the child care funds appropriated under Section 418 of the Social Security Act. Section 9801 of the ARP Act amended the Social Security Act to explicitly appropriate \$100 million in CCDF mandatory funds to tribal lead agencies. This is a 70 percent increase to tribal mandatory funds. The requirements for tribal CCDF mandatory funds remain the same. Tribal CCDF mandatory funds are allocated based on the number of children under the age of 13 in a tribe's service area.

Technical Assistance: The Consolidated Appropriations Act, 2021, (Pub. L. 116-260) authorizes the Secretary to reserve up to ½ of 1 percent of the amount appropriated to provide technical assistance (TA) to states, territories, and tribes. ACF will apply this provision to the ARP Act increased portion of GY 2021 CCDF matching funds, setting aside \$1,800,000 for TA. ACF may reserve the full ½ of 1 percent of the total CCDF mandatory and matching funds appropriated to states for TA activities in future fiscal years.

Research and Evaluation: The Consolidated Appropriations Act, 2021, (Pub. L. 116-260) authorizes the Secretary to reserve up to ½ of 1 percent of the amount appropriated to provide research, demonstration, and evaluation. ACF will apply this provision to the ARP Act increased portion of GY 2021 CCDF matching funds, setting aside \$2,290,000 for

research activities. ACF may reserve the full ½ of 1 percent of the total CCDF mandatory and mandatory funds appropriated to states for research and evaluation activities in future fiscal years.

Allowable CCDF Activities

CCDF provides financial assistance to low-income families to access child care so they can work or attend a job training or educational program and provides funding to improve the quality and supply of providers caring for all children.

CCDF mandatory and matching funds appropriated in section 9801 of the ARP Act are subject to the same CCDF mandatory and matching fund requirements that existed prior to the ARP Act, except where noted.

The CCDBG Act requires lead agencies ensure that families receiving CCDF assistance have equal access to child care that is comparable to that of families not receiving CCDF subsidies. To meet this requirement, lead agencies are strongly encouraged to use the increased CCDF mandatory and matching funds to set payment rates to providers at a level that reflects the true cost of care.

Important Dates for Obligating and Liquidating Funds

CCDF mandatory and matching funds appropriated in section 9801 of the ARP Act are subject to the following obligation and liquidation periods.

Mandatory funds:

- For states, CCDF mandatory funds are available until expended without an obligation or liquidation deadline, unless the state has received and expended CCDF matching funds for the same GY. In that case, CCDF mandatory funds must be obligated by September 30 of the award year, and there is no specific liquidation deadline.

Note: Section 9801 of the ARP Act did not increase CCDF mandatory funds for state lead agencies.

- For territories, CCDF mandatory funds must be obligated before September 30 of the year the funds were awarded and must be liquidated by September 30 of the following year.
- For tribes, CCDF mandatory funds have a 2-year obligation period, which means funds must be obligated by September 30 of the second year, and a 3-year liquidation period, which means funds must be liquidated by September 30 of the third year.

Matching funds:

- For states, CCDF matching funds must be obligated before September 30 of the year the funds were awarded and must be liquidated by September 30 of the following year.

Making Changes to CCDF Plans and Policies

Because the additional CCDF mandatory and matching funds appropriated in section 9801 of the ARP Act are CCDF funds, lead agencies must follow CCDF rules associated with CCDF Plan amendments. CCDF lead agencies making changes to state, territory, or tribal program policies may need to amend their approved CCDF Plan. A CCDF Plan amendment is required for any substantial program change (e.g., change in eligibility, rates, copays, etc.). A CCDF Plan amendment is required within 60 days of the effective date of the requirement; lead agencies may proceed with implementing the program change and subsequently submit the amendment up to 60 days following the effective date.

As a reminder, states and territories that choose to make CCDF programmatic changes that are effective prior to October 1, 2021, will need to file an amendment to their approved FY 2019-2021 CCDF Plan. For policies that will be in effect after October 1, 2021, states and territories should have included the new programmatic changes in their CCDF Plans due on July 1, 2021.

Lead agencies are reminded that current approved waivers for extraordinary circumstances expire on September 30, 2021. CCDBG waivers are granted on a temporary basis only in response to extraordinary circumstances.

CCDF Plan amendments approved prior to receiving mandatory funds appropriated in section 9801 of the ARP Act remain in effect and apply to the additional funds. Therefore, new amendments are not required.

Reporting and Monitoring

CCDF mandatory and matching funds appropriated in section 9801 of the ARP Act will be reported and monitored in the same way that they have been in the past. The increased amount provided by section 9801 of the ARP Act will not be tracked separately from the rest of the CCDF mandatory and matching funds. Lead agencies are required to submit financial information on the ACF-696 and ACF-696T reports.

Resources:

The OCC website has information about annual allocations, including the ARP Act funds and enhanced FMAP rates:

<https://www.acf.hhs.gov/occ/grant-funding/ccdf-funding-allocations>.

The OCC website has additional information about obligation and liquidation periods for regular CCDF funds:

<https://www.acf.hhs.gov/occ/resource/ccdf-funding-allocations-and-periods-of-availability>.

Questions:

Direct inquiries to the Child Care Program Manager in the appropriate Office of Child Care Regional Office. Contact information for Regional Offices can be found at <https://www.acf.hhs.gov/occ/resource/regional-child-care-program-managers>.

/s/

Ruth Friedman, Ph.D.
Director
Office of Child Care